GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:922
ANSWERED ON:27.07.2001
LOANS TO SMALL ENTREPRENEURS
UTTAMRAO DEORAO PATIL

Will the Minister of FINANCE be pleased to state:

(a) whether the Government are aware that the banks including cooperative and private are exploiting the small entrepreneurs for advancing them loans;

(b) whether any guidelines have been issued by Government / RBI to facilitate easy loan to these small entrepreneurs; and

(c) if so, the details thereof and the monitoring system evolved to evaluate the execution of these guidelines by the banks?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N.RAMACHANDRAN)

a) to (c): Reserve Bank of India (RBI) has advised the banks to follow the procedure of sanctioning working capital limits computed on the basis of minimum of 20% of the projected annual turnover to all SSI Units requiring aggregate fund based working capital limits upto Rs.5 crores from the banking system. The above instructions are being followed by Banks. A recent study of the specialized SSI Branches by the RBI revealed that the borrower accounts are receiving adequate credit computed on the basis of minimum 20% projected annual turnover. The outstanding credit to SSI Sector to Public Sector Banks, Private Sector Banks and Foreign Banks have increased considerably from Rs.29,152 crore at the end of March,1995 to Rs.55,973 crore at theend of March,2000. Besides, Government/RBI has also announced several policy measures to improve the flow of credit to SSI Sector which include:

i) Setting up specialized SSI Branches by public sector banks and specialemphasis to be laid for obtaining ISO certification by these branches.

ii) Delegation of greater powers to Branch Managers to grant limits, to simplify application forms and to fix own norms for assessment of credit requirement.

iii) Enhancement of loan limit under Composite Loans Scheme from Rs.2 lakh to Rs.5 lakh (Union Budget 1999-2000), further to Rs.10 lakh (Union Budget 2000-2001). The limit was further raised to Rs.25 lakh following the announcement made by Hon`ble Prime Minister.

iv) Increase in Project Cost Limit under National Equity Fund (NEF) Scheme from Rs.10 lakh to Rs.25 lakh (Union Budget 2000-2001 and further to Rs.50 lakh. Likewise soft loan component has also been increased to Rs.10 lakh.

v) Increase in limit for non-insistence on collateral security from Rs.1 lakh to Rs.5 lakh (Union Budget 2000-2001)

vi) Launching of Credit Guarantee Fund Scheme for Small Industries to cover collateral free and third party guarantee free loans of commercial banks to SSI Sector including IT and software sector upto a limit of Rs.10 lakh (since enhanced to Rs.25 lakh). A separate Trust viz., Credit Guarantee Fund Trust for the purpose has been set up and the Scheme has already become operational.

Reserve Bank of India has recently issued instructions to all Banks for easy flow of credit to SSI Sector and effective monitoring of the process of sanction loans to SSI Units.